



Environnement et
Changement climatique Canada

Environment and
Climate Change Canada

DEC 13 2017

MIN-224678

MEMORANDUM TO MINISTER

**CANADA'S 7TH NATIONAL COMMUNICATION AND 3RD BIENNIAL REPORT TO
THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE**

(For Decision)

TIMELINE

Your approval is requested by **December 18, 2017**, in order to allow sufficient time for translation and production of these reports ahead of the January 1, 2018 deadline.

PURPOSE

To seek your approval of Canada's 7th National Communication and 3rd Biennial Report to the United Nations Framework Convention on Climate Change (UNFCCC).

SUMMARY

- Per decisions and guidelines adopted by Parties to the United Nations Convention on Climate Change (UNFCCC), Canada is required to submit its 7th National Communication and 3rd Biennial Report (NC7/BR3) to the UNFCCC by January 1, 2018. These reports present a comprehensive overview of Canada's action on climate change.
- Canada's 2nd Biennial Report was submitted prior to the adoption of the Pan-Canadian Framework on Clean Growth and Climate Change (PCF). As such, the NC7/BR3 presents an opportunity to communicate the importance of the PCF to international and domestic audiences, and to describe Canada's international action on climate change.
- Drafting of the NC7/BR3 has been underway since early 2017. Different branches of the Department, other federal departments (e.g., Natural Resources Canada, Agriculture and Agri-Food Canada, and Transport Canada), and provinces and territories (PTs) have been closely involved in drafting relevant chapters. In particular, PTs were closely consulted on Chapter 4: Mitigation Policies and Measures, and Chapter 5: Projections.
- The NC7 presents a 'with measures' projection scenario, which includes measures implemented as of September 2017, as well as a 'with additional measures' scenario, which includes measures that have been announced and are still under development (e.g., pan-Canadian carbon pricing).
- Under the 'with additional measures' scenario, emissions in 2030 would be 583 Mt, a 232 Mt decline from projections reported in Canada's 2nd Biennial Report.
- The 'with additional measures' scenario projects a 66 Mt gap between Canada's emissions in 2030 and its 2030 target of 517 Mt – an increase of 22 Mt from last year. The NC7/BR3 indicates that further reductions may result from planned investments; potential increases in stored carbon; internationally transferred mitigation outcomes; and potential future measures adopted by PTs. Notwithstanding the impact of policies and measures, which are fully comparable in both analyses, a number of changes resulted in a higher emission forecast compared to last year. This includes NEB forecasts for oil and gas, revisions to Canada's 2005 baseline, and an increase in projected emissions for some sectors.
- Following release of the reports, attention is expected to focus on Canada's mitigation actions and its greenhouse projections. A communications strategy is being developed.

Canada

CONTEXT

UNFCCC Reporting and Review Process

Under the UNFCCC all Parties are required to submit National Communications every 4 years, and Biennial Reports every 2 years, with developed countries required to submit these reports by January 1, 2018. Together with the annual National Inventory Report, these are the key documents that allow Canada to report on its climate change progress to the international community.

The National Communication is a comprehensive document covering countries' overarching action on climate change, including required chapters on: greenhouse gas (GHG) emissions and trends; mitigation policies and measures; GHG emissions projections; vulnerability and adaptation; and international financial support. The National Communication includes longer narrative text as well as required tabular information, including data. The Biennial Report is a shorter update document, with the bulk of it consisting of required tables.

Following submission of Parties' National Communication and/or Biennial Report, all countries undergo a review process to assess reported information for transparency and accuracy, and to assess progress on climate change, including with respect to its emission reduction targets.

In years where the National Communication is submitted, countries undergo an in-depth review conducted by an Expert Review Team (ERT), which visits the country for a series of meetings and question and answer sessions. Following this review process, the ERT publishes the review report on the UNFCCC website. Parties are provided with an opportunity to review this report before it is made public. Canada's in-depth review will take place during the week of April 9 to 14, 2018.

CURRENT STATUS

Drafting of the NC7/BR3 has been underway since early 2017. Different branches of the Department, other federal departments (e.g., Natural Resources Canada, Agriculture and Agri-Food Canada, and Transport Canada), and provinces and territories (PTs) were closely involved in drafting relevant chapters.

PTs were closely consulted on Chapter 4: Mitigation Policies and Measures, and provided: a) narrative input on initiatives within their jurisdictions; and b) tabular information detailing key GHG mitigation measures in place or announced in Canada, in accordance with required reporting tables (Table 1 in the National Communication guidelines, and Table 3 in the Biennial Report guidelines). For Chapter 5: Projections, PTs were also involved in building the assumptions for the reference case and consultation case scenarios that are used for providing the GHG projections data presented in the NC7 and BR3.

Given the deadline to submit the NC7/BR3 on January 1, 2018, timelines are tight to finalize these documents (including production and translation). Given the holiday season, efforts are being made to submit these reports to the UNFCCC by December 21, 2017.

s.14 .

s.21(1)(a)

CONSIDERATIONS

Canada's 2nd Biennial report was submitted in January 2016, prior to the adoption of the Pan-Canadian Framework on Clean Growth and Climate Change, and provides an opportunity to communicate the importance of the PCF to domestic and international audiences.

It is expected that the bulk of attention will be focused on Chapter 4: Mitigation Policies and Measures and Chapter 5: Projections.

Chapter 4 provides a narrative overview of key federal, provincial and territorial mitigation actions that have been announced and/or implemented in Canada, with a particular focus on measures adopted since Canada's BR2. The chapter is organized by economic sector, with sub-sections aligning with categories of the PCF.

Chapter 5 provides updated economy-wide GHG emissions projections. Canada's most recent climate change reports have only provided projections that reflect those measures that are implemented or in place – a reference case or 'with measures' scenario. In Canada's NC7/BR3, the 'with measures' scenario includes actions taken by governments, consumers and businesses over the last two years, up to September 2017.

For Canada's NC7/BR3, the Department has also prepared a 'with additional measures' scenario to better reflect the entire range of policies and measures that have been announced but are still under development, some of which were announced as part of the Pan-Canadian Framework (e.g. pan-Canadian carbon pricing). This scenario allows for better representation of progress to Canada's 2030 target and demonstrates the expected impact of the Pan-Canadian Framework.

Under this 'with additional measures' scenario, emissions in 2030 would be 583 Mt, a 232 Mt decline from projections included in the 'with measures' scenario in the 2nd Biennial Report. This decline is equivalent to approximately a third of Canada's emissions in 2015.

The 'with additional measures' scenario projects a 66 Mt 'gap' between Canada's emissions in 2030 and its 2030 target of 517 Mt. This is in comparison to a gap of 44Mt in the PCF. As part of the annual update of our GHG projections, a number of factors can lead to changes in projected GHG emissions, including new historical estimates, adjustments in future energy markets and economic assumptions, and model improvements. Since projections are inherently uncertain and based on many assumptions, they will naturally fluctuate over time as we use the best information available to update these assumptions and forecasts.

This year, notwithstanding the impact of policies and measures, which are fully comparable in both analyses, a number of changes resulted in a higher emission forecast compared to last year. The main drivers of the increase are the following.

- Net increase in the oil and gas production forecast from the NEB.
- Historical revisions in the 2017 NIR resulted in a lower 2005 GHG. This changes the level of the 2030 target, from 523 Mt in 2016 to 517 Mt in 2017, without having a similar impact on the projections.
-

- Methodological improvements in the waste and freight sectors.

The report specifies that current estimates do not include the full reductions from investment in public transit, clean technology and innovation. In addition, potential increases in stored carbon will also contribute to reductions which, for a country such as Canada, could also play an important role in achieving the 2030 target. In addition, projected emission reductions do not account for additional mitigation measures that could be implemented by the provinces and territories between now and 2030. Canada may also wish to acquire internationally-transferred mitigation outcomes to reach its 2030 target.

A communications approach, including key messages, is being drafted.

Canadian Environmental Sustainability Indicators

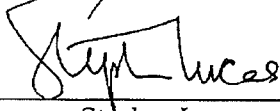
Following the submission of the NC7/BR3, the Canadian Environmental Sustainability Indicators (CESI) program at ECCC will also be updating its *Progress towards Canada's greenhouse gas emissions reduction target*. This is an annual exercise. The CESI program provides data and information to track Canada's performance on key environmental sustainability issues including climate change and air quality, water quality and availability, and protecting nature and publishes emissions reduction indicators using the projections developed by the Economic Analysis Directorate of the Department.

RECOMMENDATION

I recommend that you approve the Canada's 7th National Communication and 3rd Biennial Report to the United Nations Framework Convention on Climate Change (UNFCCC)

NEXT STEPS

- With your concurrence, the Department will work to submit these reports to the UNFCCC by December 21, 2017.
- In parallel, the Executive Summary will be published on Canada.ca with a link to the full report.
- The final report will also be shared with implicated federal departments as well as PTs in advance of its formal release.



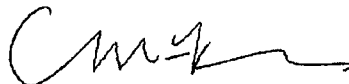
Stephen Lucas
Deputy Minister
c.c. Martine Dubuc

Martine Dubuc
Associate Deputy Minister
c.c. Stephen Lucas

☒ I concur

☐ I do not concur

FEB 02 2018



Catherine McKenna

Attachments (11):

- *Minister McKenna's draft introductory message: NC7/BR3*
- *Canada's 7th National Communication and 3rd Biennial Report to the UNFCCC*
 - *Chapter 1: Introduction and Executive Summary*
 - *Chapter 2: Canada's National Circumstances*
 - *Chapter 3: Canada's Greenhouse Gas Inventory*
 - *Chapter 4: Policies and Measures*
 - *Chapter 5: Projections and the Total Effect of Policies and Measures*
 - *Chapter 6: Vulnerability Assessment, Climate Change Impacts and Adaptation Measures*
 - *Chapter 7: Financial, Technology and Capacity Building Support*
 - *Chapter 8: Research and Systematic Observation of Climate Change*
 - *Chapter 9: Education, Training, and Public Awareness*

BACKGROUND

UNFCCC reporting

Parties to the UNFCCC are required to regularly report information on their: i) GHG emission levels; ii) actions taken to address climate change; and, iii) support provided to assist developing countries to address climate change.

There are three reports that need to be provided to the UNFCCC: the annual National Inventory Report (NIR), the quarterly National Communication, and the Biennial Report.

National Communication (NC): This report is submitted every 4 years and constitutes a comprehensive overview of a country's efforts to address climate change.

- Specific reporting requirements are outlined in the NC reporting guidelines, and include, inter alia: information on national circumstances; a summary of inventory information; details on mitigation and adaptation policies and measures; as well as support provided to developing countries.
- The NC undergoes an In-Depth Review process, including in-country visits, about a year following its submission.
- Canada's next NC is due on January 1, 2018.

Biennial Report (BR): This report is due every 2 years and is intended to be concise, with a view to updating information already provided in the NIR and NC.

- The reporting requirements are outlined in the BR guidelines, and include information on, inter alia: GHG emissions and trends; quantified economy-wide emission reduction targets and progress in achieving them; projections; and provision of financial, technological and capacity building support to developing countries.
- When preparing BRs, countries must use a set of common tables (BR common tabular format) that were adopted at negotiations in Doha (2012).
- Although the NC and BR have separate guidelines, much of the content of these reports are similar.
- BRs also undergo a review process by a team of experts appointed by the UNFCCC.
- When the NC and BR are due the same year, the BR is annexed to the NC.
- Canada's next BR is due on January 1, 2018.

Canadian Environmental Sustainability Indicators (CESI)

The CESI program is the key vehicle to monitor the progress of the Federal Sustainable Development Strategy goals and targets, and reports to Canadians on the state of the environment. CESI publishes emissions reduction indicators using the projections developed by the Economic Analysis Directorate at ECCC. The CESI indicator *Progress towards Canada's greenhouse gas emissions reduction target* will be updated shortly following the submissions to the UNFCCC.

CESI publishes its environmental indicators and interactive maps on ECCC's website (<https://www.canada.ca/en/environment-climate-change/services/environmental-indicators.html>).

Minister McKenna's Draft Introductory Message: NC7/BR3

As Canada's Environment and Climate Change Minister, I am pleased to submit Canada's 7th National Communication and 3rd Biennial Report to the United Nations Framework Convention on Climate Change (UNFCCC).

In the two years since our last Biennial Report to the UNFCCC, Canada has taken significant steps to advance action on climate change and clean growth, both at home and abroad.

In December 2016, Canada's Prime Minister and Provincial and Territorial Premiers adopted a made-in-Canada plan to take ambitious action to fight climate change, build resilience to the changing climate, and drive clean economic growth. A landmark achievement, the Pan-Canadian Framework on Clean Growth and Climate Change is the first climate change plan in Canada's history to include joint and individual commitments by federal, provincial and territorial governments and to have been developed with Indigenous Peoples. The Pan-Canadian Framework outlines over fifty concrete measures to reduce carbon pollution, help us adapt to the impacts of a changing climate, foster clean technology solutions, and create good jobs that contribute to a stronger economy.

We've covered a lot of ground since launching our made-in-Canada climate plan one year ago, and we're starting to see results. Our plan includes a pan-Canadian approach to pricing carbon pollution, and measures to achieve reductions across all sectors of the economy that put Canada on the path to meet or exceed our Paris Agreement greenhouse gas emissions reduction target of 30% below 2005 levels by 2030.

In the past year, governments have taken steps to support communities most affected by the impacts of climate change, such as fires, floods and extreme weather. Governments have also invested in climate solutions and clean growth, helping Canadians save money by using smarter energy solutions and moving towards pricing carbon pollution across the country in 2018.

Indigenous Peoples are important climate change leaders in Canada, and are often the most vulnerable to the effects of a changing climate. The Government of Canada is committed to ensuring that Canada's Indigenous Peoples are real partners in Canada's transition to a low-carbon, climate resilient economy. That is why the Government of Canada is working with National Indigenous Organizations to support the implementation of the Pan-Canadian Framework and to advance broader clean growth and climate change priorities.

These and other domestic actions represent Canada's commitment to implementing the Paris Agreement and, much like processes under the UNFCCC, the Pan-Canadian Framework includes accountability and reporting mechanisms that will allow us to revisit our climate change measures and enhance our ambition over time.

The Government of Canada is supporting these domestic actions with historic investments. In June 2017, we launched the Low Carbon Economy Fund to leverage investments in projects that will support clean growth and reduce greenhouse gas emissions from buildings, industries and forestry. The Government of Canada is also investing billions in green infrastructure and public transit, and through the Canada Infrastructure Bank and green bonds from Export Development Canada, we are using innovative financing mechanisms to support climate investments and help new technologies to become mainstream.

Minister McKenna's Draft Introductory Message: NC7/BR3

At the international level, Canada continues to demonstrate its strong commitment to global leadership on clean growth and climate change. Canada is working closely with its international partners on negotiations to implement the Paris Agreement under the UNFCCC. In advance of the 23rd Conference of the Parties (COP23), together with China and the European Union, Canada co-hosted a Ministerial on Climate Action, bringing together ministers and representatives from over 30 major economies and other key players on international climate change.

Canada also hosted a series of workshops in 2017 on key issues under the UNFCCC, including carbon markets, gender equality, and the engagement of Indigenous Peoples in international climate action. These complementary meetings informed the COP23 negotiations, where Canada was recognized for its leadership in helping to reach agreement on a UNFCCC Gender Action Plan and on agreement to launch the operations of the local communities and Indigenous Peoples' platform for enhancing the engagement of Indigenous Peoples on international climate action.

Canada remains committed to supporting the countries that are most vulnerable to the impacts of climate change, and is delivering on its historic commitment to provide \$2.65 billion in climate finance by 2020-21.. Canada also recently doubled its funding to the UN Intergovernmental Panel on Climate Change (IPCC), and hosted hundreds of scientists supporting the IPCC at a Montréal conference in fall 2017.

We continue to work through other multilateral fora to advance action on climate change. For example, Canada has been a strong advocate for a global hydrofluorocarbon (HFC) phase down under the Montreal Protocol and Canada ratified the Kigali Amendment to the Protocol in November 2017. Canada played a leadership role in encouraging the support of 21 other Parties to ratify the Kigali Amendment, helping to bring the amendment into force on January 1, 2019. Canada is also playing a leadership role in Mission Innovation, a global initiative launched in 2015 by countries that have agreed to double national investment in clean energy innovation over five years while encouraging greater levels of private sector investment in clean energy technologies.

In addition to multilateral work, Canada continues to work with partners, including the recent announcement with the United Kingdom of the Powering Past Coal Alliance, a global initiative to phase out traditional coal-fired electricity, as well as ongoing work with Mexico to address methane emissions in the oil and gas sector. Also, in December 2017, Canada and five provinces joined with Mexico, Chile, Colombia, Costa Rica and two U.S. states to establish the Declaration on Carbon Markets in the Americas, which aims to enhance collaboration on carbon pricing systems and promote carbon markets throughout the American continents.

Canada understands that addressing climate change represents a significant economic opportunity. Countries that choose to pursue strong climate action are those that will be best placed to compete in the clean growth century. Through reducing emissions and enhancing resilience, we can all work together to avoid the worst impacts of climate change and secure a safer, more prosperous future for all.

I look forward to continued work with my domestic and international colleagues to make this future a reality.

Sincerely,

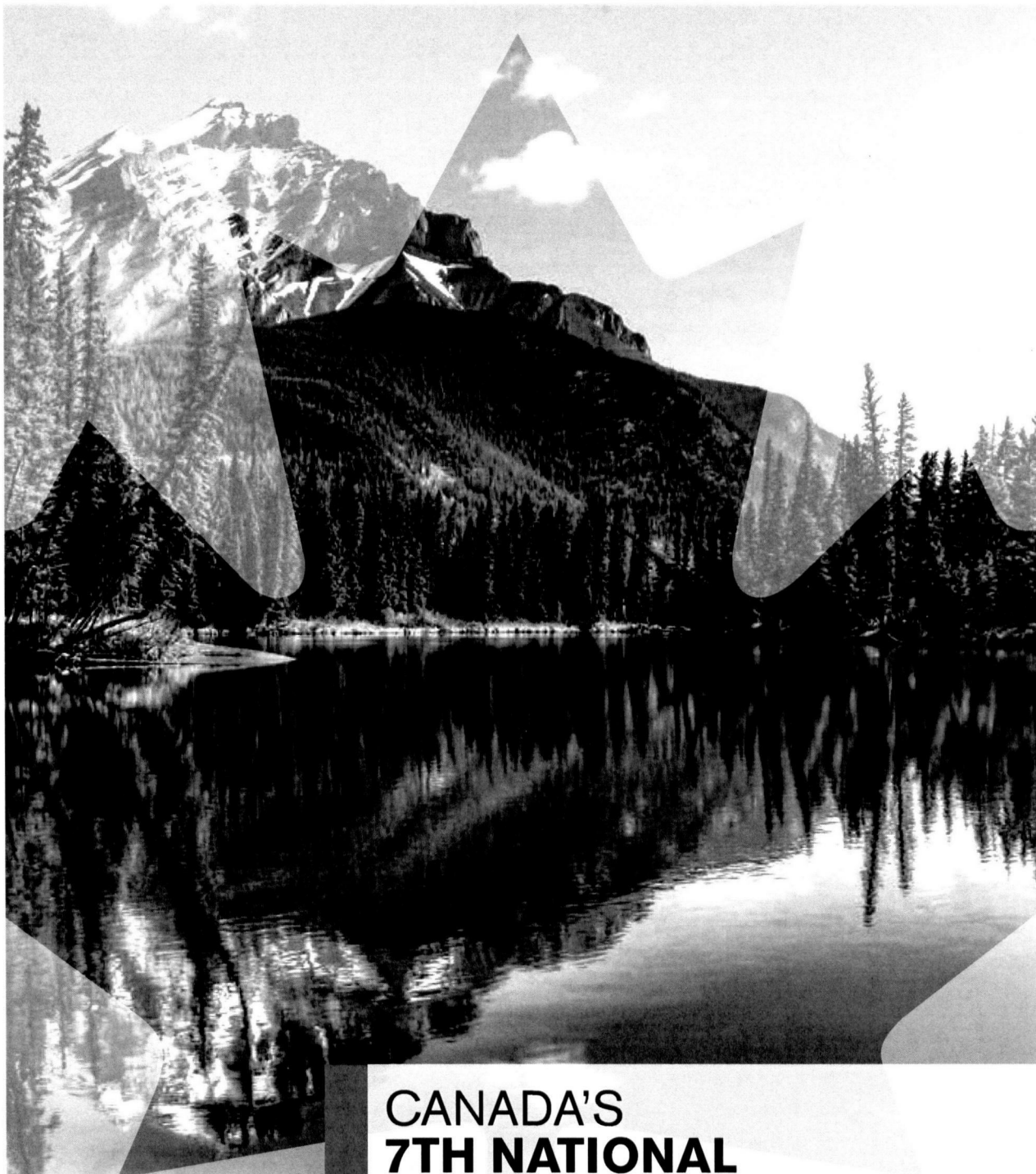
Catherine McKenna



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CANADA'S 7TH NATIONAL COMMUNICATION AND 3RD BIENNIAL REPORT